

October 17, 2005

Ms. Cindy Cade
Area Vice President
Comcast Cablevision of Indianapolis, Inc.
5330 East 65th Street
Indianapolis, Indiana 46220

Dear Cindy:

As you are aware, Comcast is not in compliance with the FCC's Customer Service Standards for the third quarter of 2005 for telephone answer time in handling calls 90% of the time in 30 seconds or less. The City of Indianapolis, by ordinance (851-501(a)), has adopted the FCC's Customer Service Standards. Of those standards, 76.309 (ii) and 76.309 (iv) Comcast is presently not in compliance for the last quarter measured. We base this on numbers you have presented to the City in Comcast's monthly report for July-September 2005 reflecting the third quarter ending.

For that third quarter ending, Comcast noted that it was at 75.01% on calls answered in 30 seconds or less (the FCC standard is 90%).

Additionally, Comcast's busy rate of 4.8% for the third quarter ending was in non-compliance as it was above FCC standard of 3%.

Per the Revised City Code (851-602 c), Comcast has 30 days in which to cure its non-compliance.

The City of Indianapolis thanks you in advance for your attention to this matter.

Sincerely,

Rick Maultra

Director/Cable Communications Agency

cc: Cable Franchise Board
Jonathan Bryant



October 14, 2004

Mr. Buz Nesbit
Area President
Brighthouse Networks
3030 Roosevelt Avenue
Indianapolis, Indiana 46218

Dear Buz:

Recent data collected by the Cable Communications Agency indicates that Brighthouse Networks of Indianapolis is in violation for the third quarter of certain articles of the FCC Customer Service Standards which are incorporated by City Ordinance 851 (see 851-501(a)) into Brighthouse's 1996 franchise agreement (see Section 10.05) with the City of Indianapolis.

In the Federal Communication Commission's *Code of Regulations*, Section 76.309 (B)(ii) reads with regard to telephone answer time with their customers that the cable operator shall meet 'these standards no less than 90% of the time under normal operating conditions, measured on a quarterly basis'. The National Cable Television Association (NCTA) requirements in this area mirror those of the FCC.

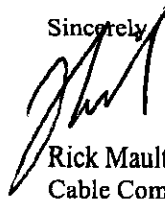
For the 3rd quarter of 2004, Bright House Networks had a telephone answer time average of 80.63%.

The City understands that Bright House has recently undergone some billing changes that may, in part, be contributing to the lack of compliance with the FCC Standards.

The City also takes note and is extremely encouraged by the detailed information that Bright House provided at a recent meeting.

Because the City has adopted the FCC Customer Service Standards, the City advises that Bright House Networks of Indianapolis cure these violations within 30 days upon receipt of this notice.

Sincerely,



Rick Maultra, Director
Cable Communications Agency

cc: Cable Franchise Board
Jonathan Bryant, Assistant Corporation Counsel
Paul Belch, Assistant Corporation Counsel

3030 Roosevelt Avenue
Indianapolis, IN 46218

tel 317.632.2288
fax 317.632.5311



October 25, 2004

Certified Mail/Return Receipt Requested
Article No. 7002 0510 0000 8244 8263

Rick Maultra, Director
Cable Communication Agency
200 E. Washington St, #G19
Indianapolis, IN 46204

Dear Mr. Maultra:

We are in receipt of your letter determining our third quarter 2004 statistics fell below the 90% answer rate on incoming phone calls within 30 seconds.

As we forewarned you and the board during the last few meetings, we have been focusing on improving our processes and indeed we are seeing improvements in the fourth quarter. As discussed, our call length per transaction has increased due to our billing upgrade and conversion. We expect that variable to decrease within the next few months as our call center agents improve their comfort with the new billing system and our customers become familiar with our new billing statement. We also expect the volume of calls to become more staggered throughout the month as we increased the total number of billing cycles with the conversion.

However, even with the high call volume and the increased talk time we are making operational changes to improve on the customer experiences with us. Some of those changes are:

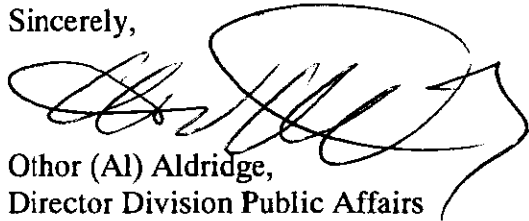
1. We are providing ongoing daily "needs" training to our customer service personnel.
2. We are continuing to monitor CSR phone calls and traffic levels, which help us to provide to the call center personnel, the correct training modules.
3. We have made modifications to our call center staffing so that we can concentrate our labor to periods of the day when call volume is at its highest.
4. We have identified a vendor and software for workforce scheduling, and should have that work tool in place by the first of the year.
5. We have added up to seven temporary message takers, so that we may return calls to customers when peak call times are lower.

Mr. Rick Maultra
October 25, 2004
Page 2

With all of this effort, we feel we will soon be back on track even in this extraordinary burden of a billing conversion, but as we have stated, it is our expectation that this process which began in August, may take up to six billing periods. We hope it may be even sooner, but in the spirit of good communication and cooperation between the City and Bright House Networks, we do not want you to feel misled that this is an easy period - and no different than what other systems experience during such a conversion. It takes time and effort to retrain our people, but the long-term benefits of the work we are doing will outweigh the short-term stress of the conversion. As the quarter goes on, be assured that we will continue to keep you informed of our progress.

Thank you for the opportunity to explain the unique operating conditions that we are currently experiencing.

Sincerely,



Othor (Al) Aldridge,
Director Division Public Affairs

Cc: Buz Nesbit
Steven Gerber, Sabin, Bermant & Gould
Cable Franchise Board Members

3030 Roosevelt Avenue
Indianapolis, IN 46218
(317) 632-2288
(317) 632-5311 Fax



March 23, 2001

Rick Multra
Director
Cable Communications Agency
200 East Washington
City County Bldg. Rm. G-19
Indianapolis, IN 46204

Dear Rick,

This is in response to your letter to Buz Nesbit dated March 13, 2001 concerning compliance with our phone center standards. Buz and I have discussed this issue several times and he asked me to respond.

You are correct that our increased call volume is mainly due to customers requesting installation or service for our new digital service. While we have hired many new phone center reps in anticipation of the increased calls (27 new representatives since October), we have not been able to retain the number of reps critical to meeting our standards.

Finding and retaining qualified phone representatives has been extremely challenging and we are finding that less than half of the personnel we hire make it through our seven week training and first month on the floor.

We recognize that whatever the obstacles, we must provide a staffing level that enables us to be available and responsive to our customers, and meet the 90% standard.

Here is what we are doing to improve:

We have recently employed seven temporary agency employees to act as message liaisons to our qualified representatives. This helps get our customers away from spending time on hold or getting a busy signal. We have also graduated a class of another six representatives last week and they will work high volume days and dayparts. We will begin a new training class on March 26, 2001 and our goal is to begin that class with another fifteen new representatives and follow that with another class in mid May.

3030 Roosevelt Avenue
Indianapolis, IN 46218
(317) 632-2288
(317) 632-5311 Fax



After a very rugged early March, we believe we have reduced our customers inconvenience and believe we can maintain at least our current level of access. That level, however does not translate into a 90% service level at this time. As we build up our staffing our ability to consistently achieve the 90% standard will increase. We ask for some consideration from your office to allow us a two to three month improvement period to consistently meet the 90% mark. Please know that during this period we will use whatever temporary resources necessary to provide our customers with adequate access to get their questions or problems handled.

As you know, please call me at 632-9077 x311 with any concerns or questions.

Sincerely

A handwritten signature in black ink, appearing to read 'Ray Pawulich', written in a cursive style.

Ray Pawulich
Vice President of Customer Operations

RP/jf

Comcast Cablevision
of Indianapolis, Inc.
5330 East 65th Street
P.O. Box 20911
Indianapolis, IN 46220
317-872-2225



June 11, 1999

Mr. Rick Maultra
Director
Cable Communications Agency
City of Indianapolis
City-County Building
200 E. Washington Street
Suite G-19
Indianapolis, Indiana 46204-3372

Dear Rick:

I found your letter of April 28, 1999 to be very encouraging; it appears as though the only issue about which you still have questions is Comcast's ability to answer calls in 30 seconds or less.

As you are aware, our ability to meet the FCC's stringent customer service standard has been hampered recently by our conversion to a new billing system. This conversion has caused problems on several levels. First, there was the issue of training employees to use the new system. This required Comcast to remove customer service representatives (CSRs) from their normal duties prior to the December 1998 conversion date, and even for a short time after that date. This left fewer CSRs staffing the phones to handle the call volume. Second, there is always a learning curve whenever you introduce a new tool to a workforce. It took time for our CSRs to navigate their way through the billing system which, consequently, meant each call took longer than usual. Third, the fact that some customers received bills for December and January within 10 days of each other led to confusion among those customers as to whether they were being double billed (they were not). The result was a much higher call volume than had been experienced in previous months. Fourth, there were problems with computer hardware that we did not anticipate, leading to extraordinarily slow response times from the billing system.

As each of these problems occurred, we took immediate steps to cure the problem and kept your staff and the Cable Franchise Board informed along the way. Although we have informed you of our remedies during past Board meetings and in previous written communications, I would like to again explain to you how we attempted to correct each problem.



Whenever we have been short-staffed in the call center, due to training or any other reason, we have used employees from our marketing, audit, technical and installation departments to help staff the phones. This, of course, was only expected to be a short-term solution. To correct the problem in the long-term, we began an aggressive advertising campaign in January to help us recruit potential CSRs. That campaign, consisting of advertisements in *The Indianapolis Recorder*, *NUVO*, *The Indianapolis Star*, *La Ola Latino-Americana*, and our cable television networks, has resulted in 26 new CSRs staffing our phone lines and a net increase of four CSRs. We continue to interview candidates for training classes that will begin soon.

We knew that some customers would receive bills for two months of service within 10 days of each other and anticipated that it would result in increased call volume. We tried to minimize the impact of those calls by placing a message on our automated response unit (ARU) explaining the situation. We hoped the message would answer all customer questions and they would not need to speak to a CSR. However, many customers felt the need to remain on hold to ask further questions. Placing messages on our ARU is a method of communicating with customers that we have found to be very effective in the past. We place messages to inform customers of outages, problems with pay-per-view, channel realignments, etc. Oftentimes, the message provides enough information to answer the customer's questions and they will hang-up before being connected to a CSR.

Finally, we have replaced computer and telecommunications hardware, enabling our CAEs to navigate through the new billing system at much faster speeds. The mainframe computer that runs the Indianapolis system in the Comcast billing center was replaced in May. The digital addressable controller, another piece of computer hardware, was also replaced at the end of May. Upgrading this equipment has improved the reliability of the computer systems and increased processing speed, allowing us to better serve our customers.

Regarding your suggestion that perhaps we should add another T1 line, Comcast currently has 46 phone lines coming into the call center. Forty-three of those lines are dedicated to handling incoming customer calls. If Comcast were to add a T1 line, more customers could get through when lines would otherwise be busy, reducing our busy rate. It does not mean, however, that more calls would be answered in 30 seconds or less. In fact, it would have the opposite effect, as callers who would receive a busy signal under our current system would instead be placed on hold if more lines were available. Comcast is in compliance with the FCC standard for percentage of time all trunks are busy (busy rate). Therefore, it is not necessary to add another T1 line.

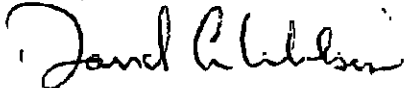
Comcast will comply with your request to provide a monthly customer service report which takes into account all considerations allowed by the FCC (i.e., weather conditions, phone outages, etc.). We will also continue to report the customer service statistics without those considerations. This will give the Board a true representation of Comcast's service level as well as the information they need to determine whether we are in compliance with FCC standards. Unfortunately, we do not have the data required to

compile reports for months past. We will only be able to provide the information on a going-forward basis, beginning with June 1999.

Comcast takes customer service very seriously. In fact, we believe providing quality customer service is as important as meeting the 90 percent service level established by the FCC. Currently, we are open 24 hours a day, seven days a week. We could actually improve our service level percentage by closing our call center after hours and on weekends and allowing customer calls to be answered by a machine. We also strive to answer every question a customer may have, no matter how long we must stay on the line with that customer. Again, we could improve our service level percentage by training our CSRs to complete calls more quickly whenever customers are on hold. I mention this only to illustrate that quality customer service cannot be measured by service level and busy rate alone.

We have improved in recent months - our service level has risen every month this year and we met the FCC standard for busy rate in April and May. Still, we face several challenges in the months ahead. We continue to make improvements in order to meet our goals.

Sincerely,



David A. Wilson
Area Vice President

cc: Carlton Curry
Charlie Hiltunen
David Leonard
Stu Rhodes
Steve Nelson

18 annual investigation into the state of video competition arguing that "[t]he single biggest obstacle to widespread competition in the video services market is the requirement that a provider obtain an individually negotiated local franchise in each area where it intends to provide service."²⁹ In its comments, Verizon contends that the local franchising process impedes cable competition in the following ways: (1) it "forces a new entrant to telegraph its deployment plans to the incumbent video competitor," thereby "allow[ing] the incumbent not only to take steps to prolong the franchise process and delay the onset of competition, but also to entrench its position in the market before the new entrant has the opportunity to compete;"³⁰ (2) it "simply takes too long," as a result of "factors such as inertia, arcane or lengthy application procedures, bureaucracy or, in some cases, inattentiveness or unresponsiveness at the LFA level;"³¹ (3) it triggers so-called "level playing field" laws, "which require the new entrant to build-out and serve an entire franchise area on an expedited basis or to match all of the concessions previously provided by the incumbent in order for it to gain its original monopoly position in the local area, despite the vastly different competitive situation facing the new entrant;"³² and (4) it involves "outrageous demands by some LFAs," which "are in no way related to video services or to the rationales for requiring franchises."³³

6. The efficient operation of the local franchising process is especially significant with respect to potential new entrants with existing facilities, for a number of reasons. First, because they seek to provide video programming to large portions of the country, they contend that the sheer number of franchises they first must obtain serves as a competitive roadblock. Verizon, for example, has stated that it would have to negotiate with more than 10,000 municipalities in order to offer service throughout its current service area.³⁴ Second, because the existing service areas of potential new entrants with existing facilities do not always coincide perfectly with those covered by incumbent cable operators' franchises, they argue that build-out requirements demanded by LFAs create disincentives for them to enter the marketplace.³⁵ We note that SBC has told investors that Project Lightspeed, an "initiative to expand its fiber-optics network deeper into neighborhoods to deliver SBC U-verseSM TV, voice and high-speed Internet access services,"³⁶ will be deployed to approximately ninety percent of its "high-value," seventy

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(...continued from previous page)

securing agreements from several LFAs "could delay competitive wireline video service entry for years"); Comments of BellSouth Corp., et. al., MB Docket No. 05-255 at 3 (filed Sept. 19, 2005) (stating that, on average, it takes eleven months to finalize a franchise agreement and that in some cases it has taken three years to conclude negotiations); *id.* at 6 (arguing that the franchising process is "costly, time-consuming, and susceptible to abuse by a variety of parties, but especially by incumbent cable operators which have every incentive to use all measures to delay or burden new entrants through regulatory gamesmanship").

²⁹ Comments of Verizon, MB Docket No. 05-255 at 6 (filed Sept. 19, 2005).

³⁰ *Id.* at 7-8.

³¹ *Id.* at 8-9.

³² *Id.* at 9-12.

³³ *Id.* at 12-14.

³⁴ David Ranii, *Options abound for phone TV*, THE NEWS & OBSERVER, Jul. 28, 2005, available at <http://www.newsobserver.com/business/technology/story/2633725p-9070222c.html> (visited Sept. 15, 2005) (stating that "if Verizon offered TV service in every market it now offers phone service, [the alternative to federal or state legislation] would be to negotiate with more than 10,000 municipalities").

³⁵ See, e.g., Linda Haugsted, *Franchise War in Texas*, MULTICHANNEL NEWS, May 2, 2005 (noting that, although Verizon has negotiated successfully a cable franchise with the city of Keller, Texas, "it will not build out all of Keller: It only has telephone plant in 80% of the community. SBC serves the rest of the locality").

³⁶ News Release, *SBC CIO Confirms Project Lightspeed Timing, Milestones at Analyst Conference*, Nov. 3, 2005, available at <http://www.sbc.com/gen/press-room?pid=4800&cdvn=news&newsarticleid=21874> (visited Nov. 9, 2005).



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Press Release

Source: Larstan Business Reports

Records Indicate Bells Engaged in 'Astroturf' Lobbying

Monday November 7, 11:45 am ET

Creation of Faux Consumer Groups Designed to Influence Pending Legislation

WASHINGTON, Nov. 7 /PRNewswire/ -- An examination by Larstan Business Reports of publicly available documents indicates that certain "independent groups" claiming to represent consumer interests are actually undercover stalking horses for the special interests of the large phone companies.

The Bell telephone companies are pushing Congress to repeal anti-discrimination rules in the 1984 Cable Act. Those rules prohibit discrimination, within a service territory, by any communications company that provides cable television service. The Bell telephone companies - anxious to get into the television services industry - are asking Congress to repeal these and other rules which empower local governments to protect their communities. Similar bills also are being considered in several states, including California, New Jersey, Michigan, Virginia, and elsewhere.

The Bells have made clear that they intend to deploy new fiber networks capable of delivering video services mostly to wealthy neighborhoods. SBC Communications told Wall Street investors that it intended to roll out the new network almost entirely for their "high value" customers while redlining most of their "low value" customers. Verizon has announced a similar business plan for its new fiber rollouts. Both companies have come under widespread criticism from civil rights leaders, including C. Delores Tucker in a recent op-ed in The Washington Post.

As the political arm-twisting gets underway, the record reveals inconsistent arguments from four highly visible groups in particular: the Internet Innovation Alliance (IIA); Consumers for Cable Choice (CCC); Frontiers of Freedom (FOF); and the Phoenix Center for Advanced Legal and Economic Public Policy Studies.

For years, these four organizations warned that the Bell companies were dangerous monopolies prone to act in a manner that's contrary to the public interest. The rhetoric often was strident: "The Bell companies are building a coffin to bury the competition that has managed to surface in consumer telecom services and they want the FCC and Congress to help them," stated CCC president Robert K. Johnson, in a press release, Oct. 15, 2002.

Now that the Bells have bought the corporate sponsors of these groups, these four one-time nemeses have become the Bells' shills. Here's merely one example of this newly found affection for the public policy positions of the Bells, found on the CCC's web site: "Unlike phone rates, which have been subject to intense consumer competition in the past decade, cable rates have increased steadily since 1996, and service quality complaints persist."

For years, CCC and the others advocated strict regulation of the Bell phone companies because of the lack of competition and rising phone rates. Now these groups are arguing that the Bells should be deregulated while their competitors should not. With a straight face, they argue that tilting the regulatory landscape in the Bells' favor will release their entrepreneurial energy, to the benefit of everyone. The record of these contradictions speaks for itself, by examining the public statements from these groups, before and after the announcement that AT&T and MCI were being acquired by Baby Bells' SBC Communications and Verizon, respectively.

A Long Record of Policy Flip-Flops

In the biggest monopoly bust-up since Standard Oil, federal antitrust regulators in 1984 split up AT&T (the venerated Ma Bell) into the long distance company and seven local monopolies. The 1996 Telecommunications Act set in place

rules to encourage competition in the local markets by giving AT&T, MCI and other competitors wholesale access to the monopoly networks of the Bell companies under the theory that the Bell facilities were ratepayer financed and that market entry was otherwise impossible. In 2004, the Bells effectively won the repeal of those rules, and earlier this year SBC acquired AT&T for \$16 billion and Verizon acquired MCI for nearly \$8.5 billion.

The hypocrisy of the four pressure groups runs long and deep. Below are specific examples of these groups' "about-face" arguments, with explanations of why their statements constitute a reversal:

-- Internet Innovation Alliance (IIA):

Before: "SBC's charging of higher fees to VoIP providers ... is discriminatory in nature and is a dangerous first step toward eradicating the vast array of benefits services like VoIP will provide to consumers. VoIP promises great consumer benefits provided it remains unburdened by regulations and access fees ... SBC apparently missed the memo or chose to ignore it in the face of larger profits." - IIA press release, November 30, 2004.

After: "This increased video competition is very much needed. Since 1996, cable rates have increased 45 percent, or nearly three times the rate of inflation. Internet-delivered video offerings - Internet Protocol Television (IPTV) as it's called - should bring the same downward pressure on these prices as competitive alternatives in voice telephony and broadband access." -- "On telecom, Texas is set to bring on competition," August 31, 2005:
<http://www.internetinnovation.org/news/083105.shtml>.

Explanation: IIA shifts its focus from opposing rules that enrich the Bells at AT&T's and other Bell competitors' expense, to advocating rules that enrich the Bells.

-- Internet Innovation Alliance

According to cable executives, the IIA approached them seeking support for this organization, which cable executives were told was a front group for Bell competitors. They merely wanted the cable companies to join to provide the appearance of "added legitimacy."

Earlier, the IIA publicly derided the Bells for seeking to keep in place "legacy access charges and subsidies" on companies offering competitive phone service. Today, not only is IIA utterly silent about these Bell subsidies, but the group actually advocates Bell entry into video services on terms that favor them over other competitors - terms which call for an end to local oversight and anti-discrimination strictures that other competitors must observe.

In attempting to justify their position as to why telephone companies should now be given favored treatment, IIA sheepishly explained that "[applying the same rules to telephone companies] makes no sense today, particularly for businesses that already pay local taxes and have relationships with the local authorities, such as the phone companies." -- "On telecom, Texas is set to bring on competition" (see link above).

-- Consumers for Cable Choice (CCC):

Before: "Competition left in the hands of a Bell monopoly is not competition at all ... Through anti-competitive tactics, the Bells have succeeded in stifling competition and maintaining their stranglehold on telecom consumers across the country." - Robert K. Johnson, Consumers' Voice press release, March 22, 2001.

After: "Companies that already have one franchise to operate networks should not be required to obtain a second franchise to offer video services. Telecommunications carriers already have the rights-of-way and franchises to reply and operate networks in each state where they are deploying their advanced networks." - posted on CCC web site.

Explanation: The first statement is a clear endorsement of strict regulation of the Bells; the second one is against Bell regulation.

Ironically, the Bells already had criticized CCC chief Robert K. Johnson, for being the leader of a fake front group. Verizon ousted Johnson as a paid AT&T advocate before the merger.

Here are the words of a Verizon executive, in a newspaper letter to the editor, seeking to expose Johnson as a fraud. "Consumers' Voice . . . should really be named 'AT&T's Voice.' At a recent National Conference of State Legislatures

meeting, a representative from this group admitted that it is entirely supported by AT&T. Moreover, Consumers' Voice has no state chapters or affiliates. Johnson actually is an AT&T hired gun." - William R. Roberts, president, Verizon Maryland, Inc., Cumberland Times-News, August 22, 2002.

During these years, Mr. Johnson pretended to be a consumer voice, but was really a paid lobbyist on behalf of a corporate sponsor.

In support of federal competition rules adopted by the FCC for the telephone industry (before the Bells later killed them), the organization said: "It's a great victory for consumers. Anything less would have been a catastrophe." - Robert K. Johnson, quoted in the article, "Local Callers Win Big," NY Daily News, May 14, 2002.

Now that the position of its corporate sponsor has shifted, so too has the organization's policy loyalties - although it continues to tell the world that it is a "consumers" organization with a slight name change: "Consumers for Cable Choice." In actuality, it has become a Bell lobbyist, funding conferences, polls and publishing op-eds, supporting the Bell position that calls for special rules and exemptions to benefit only the Bells.

-- Frontiers of Freedom (FoF):

Before: "[T]he Bells themselves are today the ultimate beneficiaries of the old 'Soviet-style micromanagement of telecom markets' ... After benefiting from this massive government giveaway, and continuing to benefit today from huge market subsidies financed by their competitors and consumers, it's a remarkable development that the Bells now condemn regulation in communications." - FoF chairman and founder, publicly released statement, February 27, 2004.

After: "This cozy arrangement is threatened by the prospects of phone companies using a new technology to make cable customers a potentially very competitive offer. Not surprisingly, the cable companies show no signs of welcoming IP-based competition from the likes of an SBC or Verizon. In the long tradition of regulated monopolies, the cable companies are looking to regulators to stave off new competition instead of simply making their customers a better offer." - FoF president, statement on group's web site, May 3, 2005.

Explanation: In the first quote, the group characterizes Bell companies as sluggish monopolies that benefit from Socialistic handouts. The second quote characterizes Bell competitors as the anti-competitive monolith, and the Bells as entrepreneurs injecting choice and freedom into the market.

As made clear by the quotes above, FoF's stance toward the Bells has evolved from harsh critic into lapdog. FoF effectively endorses the Bells' cries for regulations that will favor only the Bells and has ceased all earlier criticism of the Bells. By arguing that the Bells are the only telecom entities that should be exempted from anti-discrimination and local oversight, FoF has now accomplished more than a 180-degree change. It is leading the Bells' public policy parade.

Referring to the existing satellite and cable industry - in which, by any objective standard, there is far more competition than in the telephone industry - FoF today says cable's current "cozy arrangement is threatened by the prospects of phone companies using a new technology ... Not surprisingly, the cable companies show no signs of welcoming IP-based competition from the likes of an SBC or Verizon." - "The one-sided race between IP technology and IP regulation," May 3, 2005: http://ff.org/centers/celpr/opeds/50420050225_landrith.html

FoF now even champions the Bells as the new competition mavericks: "[The Bell phone companies] would be the challengers to incumbents." They've even paid for Bell ads on the video franchising matter. Here's an excerpt from a print advertisement that recently ran in support of the Texas legislature's pro-Bell bill: "Texas is pioneering a new generation of TV and Internet connections and, for the first time, consumers will have a choice."

Phoenix Center:

Before: "Increasing and protecting profits is the goal of the Bell Companies, not the altruistic promotion of consumer benefits realized from the rapid introduction of competition into the local exchange market. Policymakers should not ignore this fact." - Phoenix report, September 2002.

After: "Instead of extending anti-redlining and build-out requirements to new entrants, public policy can combat the threat of a 'digital divide' and ensure more widespread deployment of advanced communications networks by

allowing entrants the freedom to offer video with a broadband offering." - Phoenix report, September 2005.

Explanation: The first report warns that Bell arguments in favor of deregulation were disingenuous; the second argues on behalf of deregulation that will favor only the Bells, saying that it would yield benefits for consumers. Before the SBC/AT&T and Verizon/MCI mergers, the Phoenix Center had been the Bells' harshest antagonist, ripping into their efforts to kill federal competition rules for the telephone industry.

As lawmakers consider telecommunications legislation that affects millions of consumers, they will hear arguments from pressure groups. It remains unclear how the political wrangling will pan out, but one matter does remain clear: when SBC and Verizon took over their adversaries, some so-called independent groups quickly changed their allegiance.

Contact: Larstan Business Reports (240-396-0007, ext. 904; 301-385-7211).

Source: Larstan Business Reports

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Telcos Feed 'Grassroots' Group

Consumers Targeted With Anti-Cable Web Ads

BY LINDA HAUGSTED

Surfing for news on the Web site of the *Sacramento Bee* newspaper recently, readers were confronted by an ad intended to tweak anyone's attention.

The orange-on-black ad fairly screamed "mycablenightmare.com," with that Web address punctuated by a bizarrely grinning jack-o'-lantern.

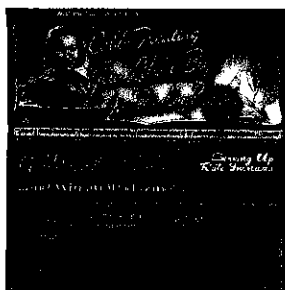
The online ad is one of several placed on newspaper sites in California as a strategy by Consumers For Cable Choice, which describes itself as a grass-roots organization, incorporated in June in Indiana as a nonprofit domestic corporation supporting government reform of franchise policy and broadband-access rules.

But the group's seed money comes from the nation's two largest telephone companies, Verizon Communications Inc. and SBC Communications Inc., both of which are beginning to compete with cable systems for pay TV subscribers.

The group is backing legislative changes sought by Verizon and other phone companies in states such as New Jersey and, soon, California.

HORROR STORIES

Internet users who go to the "nightmare" site are greeted with the question "Cable treating you like a big fat turkey?" Visitors are then solicited to pen their worst horror stories, with the "best" bad story earning an iPod Nano. (October's winner: a Sacramento resident who detailed



Holiday-themed Web sites were posted to get the Consumers for Cable Choice message out.

his two-month ordeal getting a clear cable and a workable high-speed Internet connection from Comcast Corp.)

Links are also provided to news stories on cable rate hikes, service failures and embarrassments such as the incident this summer where a Chicago customer received a bill addressed to "bitch dog."

The organization is also soliciting support from other consumer groups and business lobbies throughout the country. Members have held meetings, targeting groups such as small businessmen, relating the dire economic consequences from being stranded on the wrong side of the digital divide.

So, to parrot the famous line from *Butch Cassidy and the Sundance Kid*, "Who are those guys?"

Critics of Consumers for Cable Choice answer that question by asserting it is not an organization spontaneously created by a disaffected public. What it is, they say, is

a puppet for the telephone industry.

Bob Johnson, president of Consumers for Cable Choice, freely admits that Verizon Communications Inc. provided the non-profit with a \$75,000 grant as seed money. SBC Communications Inc. also recently donated a similar amount, he added. Individuals financially support the group, he said, but stressed that none of the individuals are telephone company executives. (The group is too newly incorporated to have made reports to the state of Indiana on its finances.)

But despite those donations and Johnson's long history as a telecommunications attorney, he asserts that the organization and its coalition of members develop their own positions on behalf of consumers.

'AGNOSTIC' ON TECHNOLOGY

"We are agnostic as to the technology," said Johnson. "We just care about the battle and how consumers come out in that. [Cable] is the last bastion of monopoly and consumers pay the price for that."

"If this was just another coax line, it wouldn't matter to the groups joining us. What's important [are] fiber and interactive applications," he added.

Members of the group's coalition includes such lobbying groups as the World Institute on Disabilities (Oakland, Calif.), the League of United Latin American Citizens (Washington, D.C.), Americans for Competitive Telecommunications (California) and Self Help for the Elderly (California).

Consumers for Cable Choice estimates its coalition members represent about 365,000 consumers nationwide.

The anti-cable group's members say

they signed on top obtain timely information on federal and state bills that affect access to data services.

"This is important to us because we don't have any access," said Betty Jo Toccali, president of the California Small Business Association. She said less than 10% of small (non-home-based) businesses in California have access to broadband services. Many rural businesses still can't get digital-subscriber line service — their only broadband option, she said.

"We represent up to 57% of the economy, but [small firms] are the last to get new services," she said. Her own office building, near Los Angeles International Airport, only recently got the option to add DSL. Local cable operator Comcast apparently has no intent to service her building, she said.

Lynne McBride, director of government relations for the California Farmers Union, a lobby for family farmers, said her group supports Consumers for Cable Choice because access to the same data products found in urban and suburban areas is critical to the family farm's survival.

Coalition members reached by *Multi-channel News* said they don't give Consumers for Cable Choice money.

For example, the CSBA helped develop a white paper detailing the effect lack of high-speed access has on business.

Johnson said the Web ads for its companion site, mycablenightmare.com, are placed on multiple newspaper sites in California because the group feels the state will host the next showdown over rules governing competitive entry into the cable business.

"We're getting a great deal of consumer press. My Cable Nightmare is striking a real chord," Johnson said, adding that his organization's press releases are gaining the attention of consumer affairs beat reporters as they "try to learn this issue for the first time." ■

NEXT ON THE GROUP'S AGENDA: NEW JERSEY. AFTER THAT: CALIFORNIA

Consumers for Cable Choice is trying to influence lawmakers who are creating rules that govern new competitors in video services. Verizon Communications Inc. anticipates that a bill it supports will be a hot topic during the lame-duck session of the New Jersey Legislature, which began after Election Day (Nov. 8).

Consumers for Cable Choice has set up a state chapter Web presence there and sent mailers to candidates for the state legislature, offering the organization's spin on broadband issues.

"This isn't a grassroots organization — it's AstroTurf," said Mark Nevins, spokesman for the New Jersey Cable Telecommunications Association.

The NJCTA is aboveboard with the creation of its support groups, according to Nevins. The cable association supports New Jersey Communities 1st, a coalition of mayors and other local officials who are concerned about the loss of local control should the state legislature approve statewide franchising.

Cable officials don't bankroll that association, but do help with postage when New Jersey Communities 1st does mailings, he said.

"No one paid any serious attention to them," Nevins said of the consumer group. "They try to play as an independent third party, but it doesn't take much digging to find they're a front group for the phone companies."

California cable officials also doubt the power of Consumers for Cable Choice. In that state, legislators have met with telephone, electric-utility and cable-company representatives in committee to determine how, and if, the state's cable-franchising policy will be changed.

Current law mandates a level playing field, meaning the telephone companies would have to build beyond their current corporate boundaries in order to gain authorization to deliver video services statewide. Verizon and SBC want that requirement eliminated.

Meanwhile, Verizon is pursuing local franchises and has gained municipal operating authority in three Southern California communities.

California Cable Telecommunications Association president Dennis Mangers said he believes legislators don't put much stock in the opinions of Consumers for Cable Choice.

"This group has been exposed as a front group for the Bells," he said.

The leading legislators on telecommunications issues — Assemblyman Lloyd Levine (D-Van Nuys) and Sen. Martha Escutia (D-Montebello) — indicate they are interested in closing the digital divide, Mangers said.

Consumers for Cable Choice "is a subterfuge, theater that won't win many points," Mangers said, adding the telcos should spend their money furthering their participation in bill negotiations.

The telcos found a receptive audience to their argument that city-by-city franchising is too time consuming in Texas, the state where both Verizon and SBC are based. This summer, Texas enacted a statewide franchising system for new competitors.

"I think they're going to find this is not Texas," he said, adding that California legislators are showing support for franchise-fee payments, public-access support and wider buildout plans than the telephone companies would want.

— Linda Haugsted

Q: Which is more cost-efficient? Hosted or Premises IP Telephony

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We've never been sure about exactly which "consumers" many consumers' groups purport to represent, but *TelecomWeb news digest's* sister publication *CableFAX* has given us a clearer view of just who **Consumers for Cable Choice** (www.consumers4choice.org) represents.

CCC Executive Director Jim Conran told our friends that Verizon gave a \$75,000 startup grant to the group, which was created last June, long about when telcos were fighting in such states as Texas for video franchise rights. Verizon acknowledges giving CCC money, but would not confirm how much. "We expect SBC will provide support" as well, Conran says.

CCC has become known for demanding that "outdated" video franchise requirements be reformed. Billing itself as a national alliance of consumer advocacy groups, private citizens and "others," it says the "cable monopoly" has increased rates 86 percent in the past decade. Despite the cash influx from the telcos, Conran insists his group is independent in its positions (anyone can give him money, he says). However, most of news stories on CCC's Web site focus on telco entry into the marketplace.

"We aren't against cable companies. We see cable franchises as the last of the great monopolies in the United States," Conran maintains.

Last month, Texas Republican Gov. Rick Perry decided to sign a telecom-reform bill that includes statewide Internet Protocol (IP) TV and cable franchise rights that eliminates the need for companies to obtain individual franchises from each of the hundreds of municipalities in the state, paving the way for rapid deployment of IPTV by broadband providers (*TelecomWeb news break*, Sept. 8). The bill primarily benefits those telcos hungry to lure customers away from cable. At that time, Verizon and SBC lauded the state action, as did the **Consumers Alliance of the Southeast**, a 12-state regional consumer-advocacy coalition, and CCC. Surprise, surprise.

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The insiders guide to mobile and wireless
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Cable firms call foe a phony

Group touting itself as consumer group funded by biz giants

By **Chris O'Malley**
comalley@ibj.com

At first glance, Consumers for Cable Choice appears to be one of those grass-roots organizations likely to have a framed picture of Ralph Nader on its wall.

You know, the kind of activist group whose religion is social justice, whose bible is *Mother Jones*, and to whom eternal damnation would be to accept a penny from greedy and manipulative Big Business.

Not so with Consumers for Cable Choice. The Indianapolis group that advocates more competition in cable and relaxed regulation of the industry accepted seed funding last summer from cable competitors Verizon and SBC Communications.

Those would be the same telephone companies that want relaxed regulation as they prepare to introduce video services via high-speed phone lines that will compete against traditional cable

CABLE

Continued from page 1

companies such as Comcast. And don't look for a paytrail adorning CCC head Robert K. Johnson, an attorney who once worked at law firm Bose McKinney & Evans, where he represented telecommunications clients before state and federal regulators.

To many observers, CCC is merely a veiled attempt by SBC and Verizon to add legitimacy to their lobbying efforts in state legislatures and in Congress. Rather than a grass-roots group, they dub CCC an "astronaut" group.

"This is obviously a front group for those companies interested in breaking into cable," said Grant Smith, executive director of Indianapolis-based Citizens Action Coalition.

"If SBC and Verizon feel the need to cover their tracks with this type of message, what does this say about the legitimacy of their legislative proposals?" said Tim Oakes, director of the Indiana Cable Telecommunications Association, a trade group of the state's cable operators.

In CCC, as some argue, SBC's puppet? "We certainly support the organization's overall cause of educating people about the need for alternatives to contin-

ued skyrocketing increases [in rates] by cable companies," said SBC spokesman Mike Marker.

Making cable types even better is that CCC increasingly is being given credibility via media reports about what's wrong with cable TV service, including in a recent *Washington Post* column (though at the bottom it noted the Verizon/SBC funding).

"What a joke. It's embarrassing that this is coming from Indianapolis," said Rick Maslana, director of the city's cable communications agency, which enforces terms of a cable franchise agreement that allows Comcast and Bright House Networks to operate in the city.

Under current regulation, it appears SBC would need to sign such an agreement to provide video via phone lines within Marion County. Such franchise agreements give the city a cut of cable revenues and require companies to adhere to customer service standards, in return for their monopoly status in the area of the city they serve.

"What's wrong with customer service regulations? There is some value to those regulations ... but [telecommunications companies'] m.o. is to change the rules before they enter," added Oakes. CCC's Johnson seemed mildly amused at the reaction from cable.

"They've gone on a jihad," he said.

CABLE

Continued from previous page

video market.

"It is competition to cable that is going to drive down rates," he said.

And who would the big competitors to cable be? SBC and Verizon, to start with. SBC, for example, might launch in Indiana by the end of next year its IPTV, short for Internet protocol television.

IPTV is capable of delivering video, Internet and phone service simultaneously—all possible because phone companies in recent years have quietly extended fiber-optic cable farther into neighborhoods.

Teleos hung up on regulation

SBC has yet to reveal its strategy in Indiana for greasing the regulatory skids for IPTV rollout.

But in Texas, SBC's home state, telephone companies gained a huge victory in September when Gov. Rick Perry signed a law that would enable Verizon and SBC to obtain statewide video franchises—rather than negotiating with individual municipalities as do cable TV firms.

Easing regulation is a core message of CCC. Johnson estimated there are somewhere around 33,000 municipalities around the nation requiring franchise agreements. "We're advocating a more streamlined process through the states, as with how telephone is regulated."

"Ones and Os are 1s and 0s, whether voice, video or data," he said of digital technology.

Johnson also argued that the franchise

Gifts from phone giants

Johnson acknowledges that CCC received \$75,000 from Verizon and an undisclosed amount from SBC.

"That's something we certainly never have hidden," he added, although the funding sources aren't disclosed on the group's Web site.

The site lists about 20 consumer groups said to support CCC's mission of bringing new competition to the cable industry. None are household names, such as the California Small Business Association and the World Institute on Disabilities. One of the groups, Electric Consumers' Alliance, lists its address as 135 N. Pennsylvania St. A phone call placed to the group was answered by an attorney at Bose McKinney—the law firm at 135 N. Pennsylvania St. where Johnson worked until a couple of years ago.

Another group in CCC's orbit, the League of United Latin American Citizens, last year received a \$1 million grant from San Antonio-based SBC.

Cheryl Reed, who handles CCC's public relations, was quick to point out that Johnson during the 1980s worked for the Indiana Office of Utility Consumer Counselor. Johnson represented ratepayers in proceedings before federal agencies, including the Federal Communications Commission.

"So his legal representation history is

He argues that shouldn't be such a big deal for companies in exchange for using public rights of way for their wires. He also said municipal franchise agreements are an important protection for consumers.

Five years ago, SBC had a rash of consumer complaints that the Indiana Utility Regulatory Commission found frustrating and difficult to resolve. Just imagine the potential for consumer complaints as phone companies launch sophisticated new technologies, Maultra said.

"We mediate thousands of complaints per year" involving cable, already, he said.

The battle could be played out on a federal level, instead, with legislation already floating around in Congress that would eliminate the need for new cable entrants to sign municipal franchise agreements.

On whatever the battlefield, CCC is likely to be there, with its affiliate groups ready to take a microphone at hearings. Opinions are mixed as to how formidable CCC could be.

Maultra said he wouldn't discount the group's potential impact, saying he's already seen press releases coming out of congressional offices quoting CCC and porportraying it as an unbiased consumer group.

Xen McElowney executive director of Consumer Action, a traditional consumer group based in San Francisco, has a different take on such groups.

"Maybe I'm just jaded, but Astronurf groups in general seem so obvious to me, to the media and certainly to legislators," McElowney said. "I just don't think they have the impact."

consistent with its focus" at CCC. In an effort to boost its voice, CCC last week said it added 15 new groups to its ranks, including the American Corn Growers Association, National Grange, and Soybean Producers of America.

A Grange official said the group was jumping aboard the CCC bus because many in rural areas have no cable TV or high-speed Internet service. "Agriculture will speak loudly as lawmakers debate telecom reform because our future success depends on us having access to better communications tools. We cannot afford to be left out of the discussion," Larry Mitchell, CEO of the corn growers' association, said in a statement.

Johnson said CCC has brought on board a number of other disaffected groups, such as those representing the disabled and small-business organizations, because they're often overlooked by cable companies. Small businesses, in particular, want interactive video applications.

Despite the financial contributions from SBC and Verizon, Johnson said his group is not pushing one technology over another when it comes to delivering video service and high-speed data. However, many of the stories on its Web site deal with telephone companies entering the

See CABLE next page

Architecture firms awarded honors

Designs by Axis Architecture + Interiors and Densley Architects won top honors at the Indianapolis chapter of the American Institute of Architects' awards program Nov. 10.

Excellence in Architecture Awards are presented biennially. This year's program recognized projects local architects completed between January 2003 and October 2005.

Axis Architecture received an Honor Award for its interior design of the downtown Bradley and Montgomery Advertising building at 942 Fort Wayne Ave. Densley Architects won its Honor Award for the Baker Wilson residence in the College Corner district.

Merit Awards

- Browning Day Mullins Dierdorf Architects, renovation of the Harrison School of Art & Design on the IPUP campus.
- Axis Architecture, master plan of the Indiana Veterans Memorial Cemetery at Madison State Hospital.

Citation Awards

- Archura, Deluxe Sheet Metal building in South Bend.
- A2S04 Architecture LLC, Renovation of Blackhall LLC building at the former Fort Benjamin Harrison.
- Axis Architecture, Strain residence in city's Old Northside.
- Reid Williamson, former president of Historic Landmarks Foundation of Indiana, received the 2005 Patron Award for his leadership on numerous civic projects.

SFGate.com

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Cable 'coalitions' sketchy

- David Lazarus

Wednesday, November 2, 2005

The group is called Consumers for Cable Choice. It describes itself as "an alliance of consumer organizations across the nation committed to the development of a competitive, vibrant cable communications market."

The group says its goal "is an open, diverse, pro-consumer market for cable subscribers that will stimulate price, choice and service options."

What's not to like?

For one thing, Consumers for Cable Choice, which presents itself to policymakers as the voice of the people, isn't exactly a consumer group. Its "alliance of consumer organizations" is actually a loose collection of regulatory gadflies and interest groups with ties to the telecom industry.

For another, Consumers for Cable Choice is funded to a large extent by phone giants Verizon and SBC, which are set to offer TV service to millions of customers but want the rules changed so they don't have to jump through as many regulatory hoops as cable companies.

On Monday, the Federal Communications Commission approved SBC's takeover of AT&T and Verizon's purchase of MCI.

Bob Johnson, the president of Consumers for Cable Choice, acknowledged having received \$75,000 in startup funds from Verizon this summer and "a commensurate amount" from SBC.

"It doesn't undermine the credibility of our organization," he told me. "The bottom line is that is that if you want to get your message out, you need the financial resources to do it."

Consumers for Cable Choice, Johnson argued, is firmly convinced that prices will come down and service will improve if phone companies can smoothly enter the TV business using sophisticated fiber-optic networks.

And this will happen, he said, only if so-called franchise rules are relaxed nationwide, allowing phone companies to bypass negotiations with local governments and to build video-ready networks basically wherever they choose.

Franchise regulations for cable companies typically require that service be made available



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to all residents of a city. (In return, of course, they get a monopoly in their service areas.)

As it turns out, the position of Consumers for Cable Choice mirrors that of the telecom industry, which is aggressively lobbying lawmakers to make them exempt from franchise rules for their TV offerings.

It also turns out that when he's not running Consumers for Cable Choice, Johnson is an Indiana lawyer representing nearly two dozen telecom firms.

"This isn't about the messenger," he insisted. "It's about the message. I'm more than happy to take money from anyone who helps us address our message."

Well, that's the thing. Most reputable consumer advocates have strict policies about not being financially beholden to industries with which they're concerned.

"We don't accept funding from any industry," said Jeannine Kenney, a senior policy analyst at Consumers Union. "Our integrity is important to us."

Republican advocacy

Consumers Union has no relationship with Consumers for Cable Choice. It favors increased competition in the cable business but is calling for rules that make phone companies accountable to local communities before they roll out TV service.

None of the major consumer groups is listed as a supporter on the Web site of Consumers for Cable Choice. Of the groups that are listed, many are actually one-person operations with fancy names and limited clout.

The California Alliance for Consumer Protection, for example, sounds sweeping in scope but is essentially a single individual, Michael Ross, who calls himself a practitioner of "Republican consumer advocacy."

"Our motto is that competition is the highest form of consumer protection," he said. "We don't believe government should be there to protect consumers."

Another backer of Consumers for Cable Choice is the Consumers Coalition of California. It's the brainchild of a woman named Virginia Jarrow, who resides not in California but in Texas.

Her main role in consumer protection, she said, is to file statements with regulators on a variety of matters. "We're not grassroots," Jarrow said. "We're intervenors."

She also issues press releases, such as a statement in February supporting the merger of SBC and AT&T, which Jarrow said "will serve to ensure better services and new, innovative technologies for consumers."

(Consumers Union, by contrast, said Monday that approval of the SBC and Verizon deals "undermines more than 20 years of efforts to introduce competition into the residential local and long-distance telecommunications market.")

Consumers for Cable Choice counts among its supporters the 200,000-member California Small Business Association. The association's Web site lists SBC as its chief corporate sponsor.

Consumers for Cable Choice also derives considerable legitimacy from the support of the 115,000-member League of United Latin American Citizens, or LULAC, the nation's largest Hispanic organization.

Gabriela Lemus, the group's director of policy and legislation, said backing for Consumers for Cable Choice was given in hopes that it would lead to greater diversity in the cable industry. She also acknowledged that LULAC received a \$1 million grant last year from SBC.

Extensive industry ties

Lemus said she didn't know about the extensive ties between the telecom industry and Consumers for Cable Choice. "It's something we need to sit down and talk about," she said.

As for the industry, Verizon spokesman Jon Davies said there's nothing unusual about his company's financial support for a group that shares Verizon's goals.

"They have a similar mind-set and a similar agenda," he explained. "They're a legitimate group. They believe in choice in the marketplace."

John Britton, an SBC spokesman, acknowledged providing funds to Consumers for Cable Choice but declined to give a precise amount.

"We definitely support their efforts," he said. "This issue is about making sure that consumers benefit by not having unreasonable barriers to entry in the video market."

There's a phrase for organizations that pass themselves off as grassroots groups but are in fact something else: Astroturf.

"We have always urged consumers to look askance at groups that have grown around a particular issue and don't have a long track record," said Ken McEldowney, executive director of Consumer Action in San Francisco.

He said he was approached by Consumers for Cable Choice months ago to sign on as a supporter. He declined.

David Lazarus' column appears Wednesdays, Fridays and Sundays. Send tips or feedback to dlazarus@sfgchronicle.com.

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SBC's \$4 billion investment into IPTV 'not much money for us to burn'

By Leslie Cauley
USA TODAY

SAN ANTONIO — Sitting in his office, Randall Stephenson, the point man on SBC Communications' Internet TV project, is a picture of confidence.

But pressed on the question of whether SBC has made the right choice in betting on "IPTV" — short for Internet Protocol TV — a cool but largely unproven technology, the 6-foot-4-inch Oklahoman blanches.

"If I bet wrong, I didn't break the future of this business," counters Stephenson, who is also SBC's chief operating officer. "For a company of this size, \$4 billion is very little money. If I bet wrong, it's not much money for us to burn."

So what's the backup plan if IPTV doesn't work out?

"We'll just switch gears and go fiber-to-the-prem," he says matter-of-factly, using industry slang for running fiber-optic lines directly to the premises, or home.

That, of course, is the strategy being embraced by Verizon, which doesn't think IPTV is ready for mass deployment.

Asked about this, Stephenson just shrugs. It's better to be flexible than dogmatic, he says, especially when new technologies are involved.

"Necessity is the mother of invention," he says.

Give Stephenson points for candor. After all, SBC is one of IPTV's most vocal proponents. The carrier plans to spend \$4 billion by 2007 to wire 18 million homes for the cutting-edge technology. The project, if successful, would turn SBC into one of the largest purveyors of IPTV in the world.

But first it has to turn IPTV into a household product.

At the top of SBC's to-do list: getting IPTV to meet the "5-9s" standard — a reference to the 99.999% network reliability standard that the phone industry has observed for years.

IPTV works fine in the lab, where conditions are pristine. But throw IPTV into a live, working network with millions of paying customers, and all bets are off.

Indeed, nobody knows how IPTV will behave once it is "scaled," or rolled out, to millions of paying customers. One of the largest IPTV installations in the world is in China, and that one has only about 500,000 customers.

"Scaling is clearly an issue," says Jeff Weber, an SBC vice president in charge of IPTV. "And anybody who tells you otherwise isn't just dumb — they're lying."

Scaling isn't the only issue, however. SBC also has to build numerous support systems — provisioning, customer service and billing, for instance. In addition, it has to train installation crews to deal with IPTV's many nuances.

Despite the hassle, Stephenson says SBC is firmly committed to the technology. He also thinks SBC can stick to its deployment schedule, more or less. Right now, he says, SBC is running only about four months late.

"If I miss, I only miss by one or two quarters," he says.

The wildcard is Microsoft. The tech giant is developing the operating system that will form the heart of SBC's IPTV service — and it isn't close to done.

There's also the question of whether the half-dozen or so vendors supporting the project can get their hardware and software to mesh properly. Getting it perfect right out of the box is critical.

Cable TV set-top boxes also have to be designed and built. Weber notes that the set-top software can't be completed until Microsoft's work is done. The list goes on.

Stephenson has heard it all before. "There's not much I can do to quiet the doubters," he says. "All I can do is execute."

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